

CITY OF WATERVILLE
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES

FOR THE PERIOD
JULY 1, 2015 THROUGH JUNE 30, 2016

**CITY OF WATERVILLE
WATERVILLE, IOWA**

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OFFICIALS

Name	Title	Term Expires
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	(Before January 2016)	

Dave Monserud	Mayor	December 2017
Mark Vanderkolk	Council Member	December 2017
Robbie Burrett	Council Member	December 2017
Matt Rathbun	Council Member	December 2017
Joe Weipert	Council Member	December 2017
Bob Ryan	Council Member	December 2017
Kim Yohe	Clerk/Treasurer	Indefinite
James Garrett	Attorney	Indefinite
	(After January 2016)	

Dave Monserud	Mayor	December 2017
Mark Vanderkolk	Council Member	December 2017
Robbie Burrett	Council Member	December 2017
Kurt Rathbun	Council Member	December 2017
Joe Weipert	Council Member	December 2017
Jeff Mitchell	Council Member	December 2017
Kim Yohe	Clerk/Treasurer	Indefinite
James Garrett	Attorney	Indefinite

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor
and Members of the City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide certain oversight of Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Waterville for the period of July 1, 2015 through June 30, 2016. The City of Waterville management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.

6. We reviewed the City's fiscal year 2016 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
11. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
12. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
13. We reviewed the annual certified budget for proper authorization, certification and timely amendment

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Waterville, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Waterville and other parties to whom the City of Waterville may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Waterville during the course of our agreed upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

O'CONNOR, BROOKS & CO., P.C.

Dubuque, Iowa

December 9, 2016

DETAILED RECOMMENDATIONS

**CITY OF WATERVILLE
WATERVILLE, IOWA**

DETAILED RECOMMENDATIONS

For the Period July 1, 2015 through June 30, 2016

- A. Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally two individuals have control over cash, receipts, utilities, disbursements, payroll, and financial reporting for the City.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by signature of the reviewer and the date of the review.

- B. City Council Meeting Minutes - Chapter 380.7 of the Code of Iowa requires that City council minutes be properly signed. Chapter 372.13(6) of the Code of Iowa also requires that the minutes published include total disbursements from each fund. The City does not currently adhere to either of these codes.

Recommendation - The City should have the city council minutes properly signed and include the total disbursements from each fund in the minutes that are published as required by Chapter 380.7 and Chapter 372.13(6) of the Code of Iowa.

- C. Pay Rates – The City council approved employee wage increases as a percentage increase only. The approved rates were not stated as a per hour or annual salary dollar amount.

Recommendation – While the City can increase wages by a percentage, the City should also have the specific salary for each employee as well documented in the City council minutes.

- D. Payroll Review - The payroll registers are not being reviewed by someone in authority. A City council member or the mayor should be reviewing the registers.

Recommendation - The City should put into place procedures to make sure payrolls are being reviewed and approved by someone in authority.

- E. Utility Rates - The utility rates entered into the system are not reviewed and approved to ensure proper utility calculations and billing.

Recommendation - An independent individual should review and approve the utility rates periodically and when rate changes occur to ensure proper utility billings.

**CITY OF WATERVILLE
WATERVILLE, IOWA**

DETAILED RECOMMENDATIONS

For the Period July 1, 2015 through June 30, 2016

- F. Certified Budget - Disbursements during the year ending June 30, 2016 exceeded the amounts budgeted in the culture and recreation, public works, and community and economic development. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended accordingly in accordance with Chapter 384.18 of the code of Iowa before disbursements were allowed to exceed the budget.

- G. Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check.

Recommendation - The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

- H. Invoice Cancellation - The City's supporting documentation for disbursements are not effectively cancelled to prevent from being paid twice.

Recommendation - The City should incorporate a procedure in their disbursement process where the supporting documentation is marked paid when the check is written.

- I. Monthly Disbursement Review - The City Council is provided a listing of receipts and disbursements by vendor at each council meeting. There is no indication by a reviewer that the list of bills to approve was compared to invoices.

Recommendation - The City should have the reviewer provide evidence that the list was reviewed and approved by a person who is not responsible for receipts and disbursements.

- J. Disbursements - Invoices and other supporting documentation were not always available to support disbursements. Supporting documentation for one transaction tested could not be located.

Recommendation - All disbursements should be supported by invoices or other supporting documentation.

**CITY OF WATERVILLE
WATERVILLE, IOWA**

DETAILED RECOMMENDATIONS

For the Period July 1, 2015 through June 30, 2016

- K. Voided Check Retention - The City does not properly maintain voided checks. Currently a copy of the voided check is made and the original is burned.

Recommendation - The City should maintain the original voided check on hand for its records along with the check images that it receives.

- L. Annual Financial Report - The 2016 Annual Financial Report (AFR) omitted the Sanitary Sewer Note, which should have been shown on the debt outstanding, issued, and retired on page 13 of the AFR. The AFR also did not accurately report the beginning and ending fund balances for the fiscal year 2016. Beginning balances for the general fund and the special revenue fund were incorrect, which resulted in the ending balances not agreeing to the City's June 30, 2016 general ledger.

Recommendation - The City should ensure all debt outstanding, issued, and retired is included on the Annual Financial Report. The City should also establish procedures to ensure the AFR, including the beginning and ending fund balances, is accurate and supported. The City should ensure fund balances from the prior year and ending fund balances agree with the June 30, 2016 general ledger balances. An independent person should also review the report for accuracy.

- M. Chart of Accounts - The City's Chart of Accounts does not match the City Finance Committee's uniform Chart of Accounts.

Recommendation - While the City's current Chart of Accounts appears adequate for Farmersburg. The City should consider switching to the City Finance Committee's uniform chart of accounts in future years.

- N. Management Financial Information - The Clerk's monthly financial reports to the city council included receipts, disbursements, and ending balance by fund, but did not include a comparison of actual disbursements to the budget by function.

Recommendation - To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the Clerk's monthly financial reports to the city council should include comparisons to the certified budget by function.

**CITY OF WATERVILLE
WATERVILLE, IOWA**

DETAILED RECOMMENDATIONS

For the Period ended July 1, 2015 through June 30, 2016

- O. Deposits and Investments - The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has not been adopted by the city council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation - the City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. The city council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

- P. Local Options Sales Tax (LOST) - The City's LOST ballot requires LOST receipts be used 40% for General Fund, 40% for Public Safety and Street Repairs, and 20% for the Sewer Fund. For the fiscal year ending June 30, 2016 the LOST receipts are not allocated in accordance with this provision.

Recommendation - The City should establish procedures to properly account for LOST receipts in accordance with LOST ballot provisions and also reimburse the deficit funds.

- Q. Timely Deposits - Currently receipts are only deposited once every month instead of periodically throughout the month when they are received.

Recommendation - In order to keep records more accurate and to prevent error, receipts should be deposited in a more timely matter from when they are received.